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UNCLAS SECTION 01 OF 02 CHENNAI 001306

SIPDIS

SENSITIVE

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USTR FOR SOUTH ASIA - A WILLS/BSTILLMAN/ JROSENBAUM

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SUBJECT: DUMPING DUTIES ARE LEAST OF SHRIMP FARMERS' WORRIES

REF: CHENNAI 00944

1. (SBU) SUMMARY: Early fears that USDOC anti-dumping duties on warm water shrimp from India could become a hot-button political issue appear to be groundless. Shrimp farmers do not blame the duties for their problems, but rather four years of slumping international demand. While politicians initially rallied to the farmers' cause, interest has waned, and the current political configuration makes future action unlikely. END SUMMARY.

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SHRIMPING INDUSTRY ON DECLINE FOR PAST FOUR YEARS  
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2. (U) To gauge the effects of the recent USDOC anti-dumping duties on shrimp farmers in Andhra Pradesh, Post spoke to farmers in the East Godhavari district as well as other industry experts. Located in northeastern Andhra Pradesh, the East Godhavari region saw a shrimping boom in the 1990s. However, according to the farmers, the good times came to an end four years ago, when a series of shocks hit the industry. First, "white spot" disease struck the shrimp farms, forcing farmers to use more antibiotics than European Union phyto-sanitary regulations allowed. In 2002, Japanese importers complained that Indian shrimp had a "muddy smell." Closing this second international market dropped the price of 20-count shrimp from USD 9.50 to USD 6.50.

3. (U) The drop in shrimp prices over the past four years mirrored an increase in feed supply prices, worsening the situation for farmers. According to Bakshinathan, Assistant Director of the Shrimp Authority of India - Tamil Nadu, South Indian farmers rely on fishmeal imported from Thailand, Chile, and Peru. Global weather patterns have reduced the supply of fishmeal from these countries, boosting the price. Because of this, Bakshinathan said, "The industry is going through a difficult period. Farm gate prices have been falling, making the activity unprofitable."

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SHRIMP FARMERS DO NOT BLAME WOES ON ANTI-DUMPING DUTIES  
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4. (U) Following the anti-dumping duties in 2004, the price of a kilogram of 20-count shrimp dropped to USD 5.90. While farmers noted the effect of the duties on their industry, they felt that the penalties were not solely responsible for the decline. According to Maniraju, President of the Aquaculture and Shrimp Farmers Association of the East Godhavari District, "The duties are just one more problem in a long list of difficulties."

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AFTER INITIAL ACTIONS, LOCAL GOVERNMENT INDIFFERENT  
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5. (U) Initial reports indicated that the Andhra Pradesh state government might take up the farmers' cause at the national level. Shortly after the imposition of the duties, Chief Minister Y.S. Rajashekar Reddy sent a letter to the prime minister urging action on the matter (Reftel). In addition, former BJP president Venkaiah Naidu's personal shrimping interests in Vishakapatnam led him to raise the issue. However, East Godhavari shrimp farmers told Post that these efforts soon tailed off. According to Maniraju, Reddy was simply paying lip service to pre-election promises. Maniraju added that local leadership has been even less responsive. When asked about the needs of shrimp farmers in East Godhavari, Arun Kumar, the Member of Parliament representing the area, stated that he believed the activity was not environmentally friendly.

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EXPORTERS MAD, BUT DUTIES NO LONGER A POLITICAL ISSUE  
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16. (SBU) COMMENT: It seems unlikely that the anti-dumping duties will be as important a political issue as once thought. Early reports that they could hurt bilateral relations appear to have been misleading. After an initial flurry of activity, local and state politicians seem to have dropped the farmers' cause. Local Congress leadership seems unlikely to assume a cause that would indirectly help a prominent former BJP leader. In addition, fear of losing domestic suppliers may have prompted shrimp exporters to overstate the farmers' anger and political muscle. END COMMENT.

HAYNES